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SIPDIS

STATE FOR EAP/EP, EB/TPP/BTA/ANA
STATE PASS USTR FOR BWEISEL AND DKATZ
STATE PASS USAID AND OPIC
TREASURY FOR OASIA FOR AJEWELL
USDOJ FOR MCCRAWFORD
USDOC FOR 4430/ITA/MAC/DBISBEE

E.O. 12958: N/A

TAGS: [ECON](#) [EINV](#) [EFIN](#) [PGOV](#) [BEXP](#) [KCOR](#) [RP](#)

SUBJECT: FIRMS PERCEIVE PERVASIVE
CORRUPTION

1. Summary: A recently released "Social Weather Station" survey indicated that Filipino business executives perceive a "very high" and "steady" level of corruption in public agencies and a "serious" level of corruption in the private sector. The survey will probably erode confidence among potential investors, both domestic and foreign. End Summary.

2. Social Weather Systems, an independent and internationally recognized polling organization, with sponsorship from The Asia Foundation and support from the U.S. Agency for International Development (USAID), conducted the 2005 "Survey of Enterprises on Corruption." The SWS has taken the pulse of the business community annually since 2000, and it originally directed its attention to the Manila area, but now surveys businesses in four major commercial centers in Southern Luzon, the Visayas, and Mindanao. The study measures levels of public and private corruption as perceived by executives in the private sector. All 701 respondents were Filipino business managers. SWS underscored that the study targets Filipino executives, distinct from the several surveys by foreign research firms that focus on expatriate managers in multinational companies.

3. The survey participants represent a cross-section from small-, medium-, and large-scale enterprises. SWS initially focused on general opinions with respect to scale of corruption in the public sector: 66% responded with "a lot," and 73% claimed that they personally knew of corrupt government transactions by companies in their line of business during the past year. These results are consistent with perceptions of high levels of corruption reflected in earlier SWS surveys. Bribes to obtain local government permits and licenses were the most prevalent type of corruption, and 21% of Filipino executives claimed that at least one government agency had requested bribes related to import procedures over the past year—a significant increase from 14% the year before.

4. When asked to rank order a list of public agencies on the basis of their "sincerity" in fighting corruption, participants placed the Security and Exchange Commission (SEC) on top, with a "very good" sincerity rating of +55%, while the Office of the Ombudsman scored "moderate," with a +22% rating. The Office of the President was perceived as "mediocre" with a score of +10%. The Bureau of Internal Revenues (BIR) scored -59%, while the Bureau of Customs (BOC) placed last with a dismal -81% score. About 65% of those surveyed also cited the BOC as having "a bad reputation for being corrupt."

5. Executives perceived substantial corruption within their own ranks. 95% of the respondents believed that some level of corruption existed in the private sector, and many of those interviewed attributed those occurrences to "lax attitudes towards corporate wrongdoing." However, executives displayed strong interest in reducing the levels of corruption present in their industries; 75% of those interviewed responded that they are willing to donate funds for anti-corruption projects, while 62% are prepared to volunteer staff members to assist with such efforts.

6. The conference closed with inquiries from

the participants, the most noteworthy of which was an open comment made by BIR Commissioner Guillermo L. Parayno regarding the level of corruption within BOC and his agency. Mr. Parayno argued that the concentration of corruption in these revenue bureaus was due primarily to the "many opportunities" to engage in such activities. BIR, for example, conducts over 100 million transactions per year. The commissioner further acknowledged the necessity of capping the number of transactions that undergo official scrutiny, claiming that, at some point, the marginal revenues recovered and the limited suppression of bribery does not justify the resources expended.

17. Comment: Although international organizations such as Transparency International and the Asian Development Bank have recently published reports regarding corruption in the Philippines, the Social Weather Systems' project presents insights on the severity of the phenomenon based on perceptions and experiences of Filipino executives. These perceptions of an increasing level of corruption, mediocre sincerity ratings of government agencies, and poor performance by the Bureau of Customs, in particular, will probably further erode the confidence of both domestic and foreign investors. Despite negative perceptions prevalent in this survey, there appears to be one ray of hope: the survey data (discussed in paragraph 5 above) did indicate increased private sector willingness to donate resources to assist the government in fighting corruption. This finding may suggest a degree of optimism that, with the right collaborative approach, concerned government agencies and the private sector can indeed make progress.

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